

TOPPENISH SCHOOL DISTRICT NO. 202  
Yakima County, Washington  
September 1, 1995 Through August 31, 1996

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Schedule Of Findings

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1. Public Funds Were Misappropriated

Our audit of the financial records of a Toppenish High School boys basketball fundraising activity revealed that at least \$372 in public funds was misappropriated by a teacher/assistant coach during the period December 19, 1996, through January 21, 1997. There were no federal funds involved in this case.

In January 1997, the superintendent of Toppenish School District notified the Office of State Auditor of an irregularity in the Toppenish High School boys basketball fundraising activity. The district performed an investigation of this matter and determined that \$372 in revenue from soft drink sales had not been turned-in by the teacher/assistant coach as required. During our audit, we reviewed the results of the district's investigation and agree with their findings and conclusions. These funds were misappropriated as described below.

A teacher/assistant coach failed to turn in all the proceeds from the sale of soft drinks during the Toppenish High School boys basketball fundraising activity. While checks were turned in to the district during the period of the fund raiser, the teacher/assistant coach did not turn in any currency. This condition caused the district to investigate this event.

The district has filed a police report for this loss. In addition, the teacher/assistant coach has offered to make \$372 in restitution to the district.

RCW 42.20.070 states:

**Misappropriation and falsification of accounts by public officer.**

Every public officer, and every other person receiving money on behalf or for an account of the people of the state or any department of state government or any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town, or any school, diking, drainage, or irrigation district, who:

(1) Shall appropriate to his or her own use or the use of any person not entitled thereto, without authority of law, any money so received by him or her as such officer or otherwise: or

(2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her, or

(3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account, or

(4) Shall willfully omit or refuse to pay over to the state, its officer or agency authorized by law to receive the same or to such county, city, town, or such school, diking, drainage, irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when its is a duty imposed upon him or her by law to pay over and account for the same, shall be punished by imprisonment in a state correctional facility for not more than 15 years.

As noted in Finding 2, weak internal controls over high school fundraising activities contributed to an increased risk that errors, irregularities, and the loss of public funds could occur and not be detected by district management officials in a timely manner.

We recommend Toppenish School District seek recovery of the misappropriated \$372 and related audit/investigation costs from the teacher/assistant coach and their insurance bonding company. We further recommend the Washington State Office of the Attorney General and the Yakima County Prosecuting Attorney review this matter and take whatever action is deemed appropriate under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and the State Auditor as directed by RCW 43.09.260.

Bond coverage for district employees is as follows:

Insurance Company:	Coregis Insurance Organizations
Type of Policy:	Crime Coverage ) School District Crime & Faithful Performance Coverage
Policy Number:	0C-913-4673
Amount of Coverage:	\$100,000 with a \$50 deductible provision
Period of Coverage:	September 1, 1996, to September 1, 1997

#### Auditee's Response

*The State Examiners were notified of the misappropriation by the superintendent as soon as she was notified of the possibility of misappropriation as stated in WAC 180-87-095. The Office of Professional Practices, Office of the Superintendent of Public Instruction was also notified by letter pursuant to WAC 180-87-060.*

*An investigation by the district is ongoing with the assistance of legal council.*

*The Toppenish School District is seeking recovery of the misappropriated monies and related audit/investigation costs.*

## 2. The District Should Improve Internal Controls Over Fundraising Activities

Our review of the Toppenish High School boys basketball fundraising activities in fiscal years 1996 and 1997 revealed the following internal control weaknesses:

- a. When soft drink inventory was issued to students to sell, individual student records were not maintained to properly account for soft drink inventory issued, sales proceeds received, and ending soft drink inventory. These records should

be signed by the students upon issuance of the merchandise as well as when the money and remaining inventory, if any, is returned.

- b. The district did not establish time frames for the completion of gross profit reports as a result of fund raisers.
- c. The proceeds from fundraising activities were not deposited with the district in a timely manner. In some cases, money received from students was held for at least three weeks prior to being deposited. Funds should be deposited intact in a timely manner.
- d. Merchandise was not stored in a secure location, and access was not appropriately limited.

As a result, of the 842 cases of soft drinks purchased for the two fund raisers, 35 1/3 cases were unaccounted for. This represents a loss of retail sales revenue to the ASB Fund, as follows:

Retail value of soft drink inventory	\$10,104
Retail sales recorded	<u>9,680</u>
Difference	<u>\$ 424</u>

RCW 43.09.200 states in part:

The accounts shall show . . . all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . .

*Washington Administrative Code (WAC) 392-138-045 states in part:*

Associated student body moneys shall be accounted for as follows:

- (1) Accounting methods and procedures shall comply with such rules and regulations and/or guidelines as are developed by the state auditor
- . . . .

We recommend the district review overall accounting controls over fundraising activities at Toppenish High School, correct the weaknesses outlined above, and implement an effective system of internal control designed to ensure the protection of public assets.

*Auditee's Response*

*The district will improve internal controls implementation over fund raising activities. The district believes that the internal controls are in place and have been properly articulated but implementation and compliance has not occurred in all areas of fund raising activities.*

*The district will review overall accounting controls over fund raising activities at Toppenish High School.*

*The district will correct the weaknesses that may exist.*

*The implementation of an effective system of internal control will be designed to ensure compliance.*

*More extensive training will occur for fund raising activities at Toppenish High School.*

*Time lines will be established for gross profit reports from fund raisers.*

*Thank you for your prompt and thorough audit to allow the district to proceed in a timely manner to appropriately handle the misappropriation of funds. The district will resolve the case and implement more stringent internal controls to increase the probability that this will not happen again. Your concern and response to the district's needs was greatly appreciated.*

Auditor's Concluding Remarks

We wish to thank district officials and employees for their cooperation during the audit. We will review the corrective action taken by district officials during our next audit.